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FOREIGN DOCUMENTS OR RADIO BROADCASTS

REPORT

CD N3

50X1-HUM

COUNTRY USSR

SUBJECT Industrial administration

HOW
PUBLISHED Typewritten document

WHERE
PUBLISHED Not stated.

DATE
PUBLISHED 1940

LANGUAGE Russian

DATE OF INFORMATION 1940

DATE DIST. 31 December 1948

NO. OF PAGES 16

SUPPLEMENT TO
REPORT NO.

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Captured German Document, Administration in the Field of Industry.
(GDS Doc No SFC-1 -- Translation specifically requested.)

SOVIET INDUSTRIAL ADMINISTRATION

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I. DEVELOPMENT OF THE ORGANIZATION OF INDUSTRIAL ADMINISTRATION

The first act of the Soviet State in organization of industrial administration was the creation of the Workers' Control (Rabochiy Kontrol'). The statute was establishing procedures, promulgated 27 November 1917, gave the Workers' Control unite the right to supervise production, to fix output minimums, and to establish procedures for ascertaining net costs of derivative products. Also included was the right of access to all business correspondence and owners of enterprises were obliged to make available all past and current books and accounts. Workers' Control was introduced in all industrial enterprises employing workers at plants/sites or in their homes.

Industrial enterprises, left by the owners or confiscated from them, were turned over to the direct administration of the workers. The Supreme Soviet of National Economy (VSNKh), activated 15 December 1917, was charged with the responsibility of providing uniform control of work in such enterprises as well as the unification of work of Workers' Control units in all other enterprises.

The VSNKh was composed of representatives from the economic commissariats with the entire staff of the All-Russian Workers' Central Soviet, making for unity in the work of both agencies. The first VSNKh statute gave it supervisory responsibility for ~~organizing~~ all the nation's economy and finances. In 1918-1919 a number of its general functions were assigned to other agencies, after which the VSNKh concentrated on the administration of all industry with the right of confiscation, requisition, sequestration, and compulsory syndication of various branches of industry. The most important historical step was the nationalization of industry, which the VSNKh successfully carried out, making the adjustments necessary for state administration of enterprises. The organization and structure of the VSNKh during the civil war period was characterized by the system of so-called "Glavizm" (System of Main Administrations). This system can be described as follows: the "Main Administrations" and "Centers" set up under the VSNKh,

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were not only units of management, planning and control, but also units of direct administration of all state industry. Enterprises were made completely dependent operationally upon Main Administrations, from which they received funds according to estimates, provisions in terms of rosters, articles of technical supply by order, and to which finally they delivered all their products free.

The plant administration and local units of the VSNKh -- the guberniia soviets of national economy -- had no rights as to the disposition of the material resources of the enterprise. The administration of industry was rigidly centralized in a vertical line. All administrative channels met in the respective main administration; and this system was adapted successively to all enterprises of any size. Every Main Administration was headed by a Workers' Board (Kollegiya) of from six to nine representatives from trade unions and various public enterprises. These boards were elected at congresses of enterprise representatives from every branch of industry and were confirmed by the VSNKh.

Although the Main Administrations and the centers were officially in charge of the production sections of the VSNKh, the centers did not in fact play a substantial role, and the deciding factors in the administration of industry were the Main Administrations. However, in the apparatus of the VSNKh there was a unit which played a most important role at that time, the Utilization Commission (Komissiya Ispol'zovaniya) which was concerned with the problems of distributing industrial output. The Utilization Commission decided how much volume of production was necessary to satisfy mass demands, how much to leave in reserve, and finally, how much to leave in the consumption fund of the industry itself. The Main Administrations' centers showed the greatest respect for this body.

The conversion of the country to peacetime work in the restoration of the war-destroyed economy demanded, first, measures for the speediest restoration and further strengthening of the State industries, especially heavy industries. In connection with the new tasks and the conversion to the NEP (New Economic Policy), the system of Main Administrations was abolished as not suitable for the new economic situation.

By decision of the Eighth All-Russian Congress of Soviets, the Main Administrations and centers were reorganized. Only the larger enterprises remained under the direct administration of the Main Administrations and centers; the remainder were transferred to the administration of the VSNKh. Organizational forms of industrial administration developed with the growth of operational independence and initiative in the lower links of this chain. A new type of economic unit appeared: the "association" (ob'yedineniye, literally "unification") of enterprises, functioning on the basis of cost accounting under the control of a main administration of the VSNKh or of the guberniia soviets of national economy, and responsible for the fulfillment of the plan, quality of production, and care of property. These associations soon received the name, "trusts" and were given legal status by the "Statute of State Industrial Trusts," approved 10 April 1923. Differing from the operational activity in industrial work practiced by the former Main Administrations and centers, the role of the VSNKh apparatus in this period was limited principally to one of directing the organizational and planning activities of the trust. In this same period the syndicates arose, which were special commercial (torgovyy) unions of state industrial trusts.

In connection with the establishment of the USSR, the organizational structure and administration of industry underwent further changes. The centralized state industry, under the control of the VSNKh, was subdivided into All-Union industry and industry subordinate to the respective republics.

The chief unit of industrial administration in this period was the trust.

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Primarily fulfilling production functions and subordinate to the syndicates in matters of supplies and marketing (snabzheniye i sbyt), it was later transformed into the association. The VSNKh organs managing trusts and syndicates were the directorates (1923-1926) and Main Administrations (1926-1930) which in 1930 were merged with the syndicates into associations.

The scope and volume of the planned initial stages in the administration of state industry required a broader planning and managing role for the VSNKh, which was reflected in a new trust law, promulgated 29 June 1927 (USSR Soviet Law No 39, p 392). It also brought about the syndicate law promulgated 29 February 1928 (Soviet Law 1928, No 16, p 129).

The period of struggle of the trust for the industrialization of the country underwent significant organizational changes in comparison with the trusts of the first years of the New Economic Policy. Having completed the restoration of industry, the Soviet State turned to the problems of reconstruction. The rapid growth of large state industries, the rapid exclusion of private owners from trade, and especially from wholesale business, required more intensive planning and direction of trust operations by the VSNKh and new legal forms for control by a central regulating authority over the turnover within industry. The laws which developed rapidly in the period discussed, were compulsory laws, standardized prices, general agreements, credit plans, etc.

The decree on Trusts, 29 June 1927, was a legal expression of the economic changes which had taken place. If, according to the Statute of 1923, the trust had the purpose of "deriving profits," according to the Statute of 1927, the trust became defined as a state industrial enterprise "acting on the basis of commercial principles in conformity with planned tasks" ratified by the institution within whose jurisdiction the trust is set up. This revision, by excluding the words "for the purposes of deriving profits" and inserting the words "in conformity with planned tasks," answered fully the directives of the party and government for the strengthening of the planned management of industry. Further, if under the Statute of 1923 the trust was considered to be more or less an autonomous economic unit, and subject to the jurisdiction of the VSNKh or to its corresponding local unit, the dependence of the trust upon the units managing it became now more definite, and the entire work of the trust came more fully within the program of the plan established and confirmed by the VSNKh.

Very essential changes in the interrelation between the trust and the enterprises comprising them were introduced by the Trust Law of 1927. The Trust Law of 1923 treated these enterprises as "establishments" (Zavedeniye) not having independence. Under the Trust Law of 1927, however, they received operational rights.

The strengthened role of the syndicates (1926-1929) greatly restricted the independence of the trusts in matters of supply and marketing, since they concentrated trade functions within themselves. Gradually the syndicates became the principal forces through which the Soviet State carried out its economic policy concerning all state industry. Originally the tasks of the syndicates included only the realization of the trusts' production, providing them with raw materials and technical needs. With each year, however, these functions expanded, and the role of the syndicates steadily became greater and more general in scope.

By the end of 1929 the syndicates gradually concentrated within themselves complete powers of supply and marketing for those branches of industry for which they were organized, but now not only decide such questions, but also dictate to the trusts conditions of production and capital development. The actual establishment of plans for state industry, as a whole, were made through the syndicates.

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In them, in fact, were decided questions of trust financing and crediting under the plan. It was not without reason that the state syndicates of this period were called "the real masters of industry"

With the broader scope of syndicates, the activity of the trusts was greatly altered. While the trust was the decisive link in the system of industrial administration in the first years of the New Economic Policy, actually becoming the controlling factor in questions of output, supply, marketing, capital construction, in the period 1926-1929, the trust gradually lost one after the other its former broad and universal powers. In matters of supply and marketing the trusts were completely supplanted by the syndicates. In capital construction, specialized organizations, such as planning, contracting and building, efficiency-method, and assembly trusts /sic/, soon concentrated appropriate powers in their own hands, thus reducing the significance of trusts in the capital-construction field. The trusts retained the technical management of production, but here too the year-by-year development of enterprise autonomy led to the gradual restriction of trust functions.

The strengthened role of syndicates had, by the end of this period, pushed aside to a certain degree not only the trusts, but also the main administrations of the VSNKh. Under these circumstances the parallel existence of the latter became obviously unsuitable. The reorganization of the VSNKh in 1929 was effected by the unification of the syndicate system with the system of VSNKh's main administrations into the association.

The associations were established on the basis of regulations with the rights of independent organizations, functioning on the principle of cost accounting according to the VSNKh's planned objectives. The associations defined the scope of the trusts' powers as follows: in some cases they limited their functions entirely to technical management of enterprises; in other cases, where there was territorial distribution of a multitude of enterprises, they left to the trusts the functions of trade and the financial, as well as the technical management.

There was a reorganization of industrial administration in 1929 not only in the upper level (establishment of associations), but also in other enterprises. The decision of the Central Committee of the Communist Party of 5 December 1929 (Soviet Law 1929 No 339, p 294) described the enterprise as the basic unit of industrial administration. It was stated in decision that "--- the technical servicing of enterprises, the proper organization of supply, a more perfect organization of labor within the enterprises, the complete introduction of one-man management of production, the creation of more favorable conditions in enterprises for the maximum activity of workers' collectives and for technical personnel, the selection of qualified administration, and a necessary degree of independence of the enterprise are the basis for the future betterment of the state industrial administrative system."

Prior to this, the functions of the factory administration (director), the party, the trade union and the economic units were sharply limited by a Central Committee decision of 5 September 1929 on the methods of regulating production administration and the establishment of one-man management.

Both decisions of the Central Committee secured the system of one-man management and created firm operational management of industrial production. As a result of the fulfillment of the First Five-Year Plan, state industry became the only form of industry in the USSR. The country thus acquired thousands of newly constructed enterprises; entire branches of industry were newly created; "old branch" enterprises were re-equipped and greatly expanded. Reconstruction was so complete that it meant virtually an entire renovation of the old branches of industry and the enterprises. Hundreds of large factories and scores of giant plants appeared, such as metallurgical, machine and

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chemical works, and other branches of industry. In these new circumstances, the old forms of organization of the administration of industry began to retard its further development. Consequently, a complete reorganization of the production administration was needed. As models for such reform of the state industrial management, the following well-known decisions of the SNK (Council of People's Commissars) and the Central Committee of the Communist Party were used: 8 April 1933 on "Work of the Donbass Coal Industry" (Soviet Law 1933, No 25, p 148); 21 May 1933 on the "Organization of the Pit, Mine, and Trust Administration in the Donbass" (Soviet Law 1933, No 31, p 182); and 21 May 1933 on the "Wages of Workers, Technicians and Engineers of the Donbass Coal Industry" (Soviet Law 1933, No 31, p 183).

As a result of these decisions the administrative system of the entire coal industry was radically changed. First eliminated were the decentralized administration of the mines and its inevitable corollary, scattered responsibilities.

The management of production was accomplished on the principle of regional production. The manager of the district (uchastok) received his production functions at the district level and became responsible for all the district work.

Likewise the system of equalizing wages was eliminated. Underground workers began receiving a higher wage than surface workers. In addition to the progressive wage scale, a system of wage increases for output above the quota was established; premiums were increased for the proper maintenance of machinery and for their uninterrupted operation; wages became proportionately greater for technical-engineering personnel occupied in the mines, as compared with such personnel employed in mine administration; and there were similarly greater advances in wages for underground personnel, as compared with workers on the surface.

Prompt transfers were made of the best managers and technical-engineering workers from the trust apparatus and mine control units to the mines, and from surface to underground work at the mines. The task of increasing mine worker personnel became the central problem of local regional and district organizations. The selection and distribution of personnel and the inspection of performance were entrusted directly to the managers of the mines, to the heads of the mine administrations, and to trust directors, upon whom was placed the sole responsibility for personnel work and inspection of performance. Organized measures for the rebuilding of the coal industry extended far beyond the framework of the decision on the Donbass. They were the fundamental (organizational) links in the entire system of rebuilding the administration and control of state industry. The tremendous tasks placed before state industries during the Second and Third Five-Year Plans demanded the reorganization by the People's Commissariats of the management of enterprises.

The apparatus of the united VSNKh was found to be unwieldy and unadaptable for fulfillment of the tasks required of industry under the new circumstances. With such a large number of enterprises -- some associations included 100-200 enterprises -- association directors could not know their work, their possibilities, and their needs, resulting in their inability to supervise them properly. The division of the associations into smaller units transformed them from units of planning and management of all enterprises of a given district into units of management and administration of only a group of enterprises and trusts directly subordinate to them. The organization of several associations in separate branches of industry brought about once again the need to re-establish the VSNKh apparatus of branch main administrations, liquidated in 1927. On them was placed the management of all organizations, associations, trusts and enterprises of the respective branches of industry. Some main administrations were again subdivided soon after their creation.

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In conformance with the same principles of effecting closer relations between management and production, by the 5 January 1932 decree of the Soviet of People's Commissars and the Central Executive Committee, the VSNKh was divided into three People's Commissariats, the Heavy, Light and Timber Industries.

In the newly organized Commissariats of the Heavy, Light and Timber Industries, the regional production (proizvodstvenno-territoriyal'nyy) apparatus of these Commissariats was organized on the principle of branch production and regional production administrations. Many main administrations were subjected to further subdivision to create flexible and adaptable units. Thus, in 1934 there was a subdivision of the Main Cotton Textile Administration of the People's Commissariat of Light Industry, which united 14 union trusts and combines with 179 enterprises and 350,000 workers. At the same time the "Soyuzleszag" (Union Timber Procurement) was liquidated, it had embraced almost half the entire production.

As a result of dividing the People's Commissariat of Supply into two independent commissariats, the People's Commissariat of Food Industry was created on 29 July 1934.

On 10 August 1934 the People's Commissariats of Local Industries were created being in the union and autonomous republics. These united the enterprises of heavy, light timber and food industries of the union and autonomous republics.

With the activation of the People's Commissariats of Local Industries the responsibility of the oblast or kray units for local industrial development increased to a great degree, making it possible for the People's Commissariats of the USSR to devote more intensive effort to the administration of enterprises of importance for the entire USSR. In recent years 1938-1940, especially extensive work was carried out regarding the reorganization of the administration of all branches of state industry, without exception. The greater part of these organizational measures was carried out according to the decree of the 17th Party Conference, setting up the following fundamental objective in the field of industrial administration, "to raise organizational leadership to the level of political leadership."

II. BASIC PRINCIPLES IN ORGANIZING ADMINISTRATION OF STATE INDUSTRY

A. The Unity of Political and Economic Management

The most important organizational principle in the administration of Soviet State industry stresses the fact that political and economic management must be unified. In accordance with Soviet principles any organizational economic question is decided, first of all, through the mobilization of a large group of workers as possible from all categories and trades on the authority of the concrete economic-political directive of the central governmental and planning units. The quality of economic management, therefore, is measured not only by the correctness of the planning directive issued by the manager, but also by the extent to which this manager is able to organize the necessary personnel for the execution of this directive, to place them, and to check their work.

This united economic-political management finds its expression in all basic organizational principles of industrial administration.

B. One-Man Management (Yedinonachaliye)

The first aspect of this basic principle of organizational administration is the necessity of one-man management. This is a system of pro-

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duction administration under which each worker is wholly accountable for the work assigned to him and is responsible to one specific person. One-man management has been and remains the defining factor since 1920 of organized industrial administration in all stages of its development.

A whole series of party and government decisions on the administrative problems of state industry establishes a concrete basis for applying the principle of one-man management and corrects the errors made in this respect by individual groups of economic leaders. In these decisions, an especially important part in the development of state industry was played by the decision of the Central Committee of the Communist Party, on 5 April 1929, on "Measures for the Regulation of Production Administration and Establishment of One-Man Management." It established the necessity for the introduction of one-man management into all levels of industrial administration and particularly emphasized the role of the director as a one-man manager, carrying complete and direct responsibility for the execution of the industrial and financial plan and for all assignments in production, while possessing complete authority for administrative arrangements in the enterprises.

One-man management presupposes strict demarcation of the responsibilities of the administration, and of the party and trade-union organizations, in all levels of administration. The entire operational activity in fulfilling planned tasks is directly conducted by the administration, and neither the party nor trade-union organizations are to replace it in this field. The chief of the shop, the director of the plant, the chief of the main administration, is sovereign each within the limits of the duties entrusted to him, and public organizations have no right to interfere in his arrangements. Their task is the direct political leadership and communist education of the working masses and of the intelligentsia of production. Along with this, the production enterprises' party organizations, by decision of the 18th Congress of the Communist Party, have the right of checking on the activity of the administrators.

In 1938 in one unit of the administration of industry, namely in the management of the People's Commissariat, boards were introduced. However, the introduction of boards by no means alters the principle of one-man management. The boards are needed to guarantee high quality in the decisions adopted by the single manager, the People's Commissar. Furthermore, the People's Commissariat boards have no power to make final decisions, since the entire responsibility for a final decision, as before, is carried singly by the People's Commissar. The members of the board have the right, in cases of disagreement with the decision of the People's Commissar, to appeal their case before the Council of People's Commissars.

C. The System of Administration in Production

The principle of one-man management in industrial administration finds a more specific application in the so-called regional production system of administration. Administration is divided into the functional and the regional production systems.

The functional system of administration means "... the decentralization of administration in a number of divisions and sectors and, as a consequence, the absence of operational control." (Resolution of the 17th Congress of the Communist Party.) Such a system in Soviet state industry is harmful, violates the fundamental principles of administration discussed above, and results in decentralization and irresponsibility, complete disorder, and the estrangement of administrators from the mass of industrial workers.

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Such a system existed in the USSR in a number of branches and levels of industrial administration until the 17th Congress of the Communist Party. In the enterprises, trusts, People's Commissariats, etc., there existed a large number of divisions (otdel), each of which was responsible only for a small sector or a narrow function of the work. For example, the production planning division issued the program for the shop, the economic planning division defined the qualitative indices for this division, the wage economy (tarifnoekonomicheskiy) sector of the division of labor economy set the wages and quotas for the fulfillment of this program; the technological planning was provided by the division for production preparation, blueprints by the construction bureau, materials by the supply division, the necessary manpower by the division of employment, etc.

Under such a system the chief of the shop, instead of being the organizer of production, became a kind of foreman and a mediator, wasting all or most of his time in conciliating and coordinating a plan among all of these divisions. The foreman and brigadier, head of a workers' brigade were in no better situation. The regime of the functional system even deprived the director of the enterprise of individuality. Instead of actively managing technical procedures and the finances of the enterprise, the director entrusted the management of each of these functions to certain substitutes or assistants, the number of which was sometimes as great as 14 or 15, while he himself engaged in "general management," actually not stressing any problem.

The functional system of administration, described above, appeared in an especially inadmissible form in the coal industry. The administration of the Donbass coal mine until 1933 was divided among 22 chiefs, or managers, namely: (1) manager of the mine; (2) the chief engineer; (3) manager of mining operations; (4) manager of capital operations; (5) manager of rational procedures; (6) manager of technical standardization; (7) manager of the production process-planning sector; (8) manager of the wage economy sector; (9) manager for safety techniques; (10) manager of mechanization; (11) manager of the mine-surveying bureau; (12) manager of concentration; (13) manager of traffic; (14) manager of ventilation; (15) manager of technical propaganda (tekhprom) /sic/; (16) manager of the planning department; (17) manager of the financial department; (18) chief bookkeeper; (19) manager of the communal housing department; (20) manager of the stables; (21) manager of economy (khozaystvo); and (22) manager of the storeroom. In addition, almost none of these managers worked in the mine itself, that is, underground, but sat in the plant administration building, and had a special representative in the mine. It is easy to understand how such a structure of administration led to a complete muddle and functional confusion. The decision of the Central Committee of the Communist Party and the USSR Council of People's Commissars of 8 April 1933, "Concerning the Work of the Donbass Coal Industry," eliminated this absurd system. The entire direct administration of coal extraction and removal from the mine was concentrated in the hands of the mine manager and his deputy, the chief engineer; thereby a number of unnecessary departments were liquidated. Sometime later, the 17th Congress of the Communist Party adopted a decision: "To liquidate the functional system in the structure of all Soviet economic organization and to reorganize it along the lines of regional production, starting from the lowest production level and ending with the People's Commissariats."

The remains of the functional system must be removed from all administrative levels. This does not mean, of course, that all functional sectors must be liquidated. A number of important administrative functions, for example, planning, financial management, management of supply and marketing, etc., should be entrusted to special sectors. But there should be few of these sectors, and they should play a secondary role, giving no direct orders to lower units. In Soviet State industry at the present time the regional production system of administration dominates. Under this system every branch of industry, embracing the entire state or particular fields;

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each enterprise, shop and division is responsible to only one head; the agencies of the industrial administration are specialized by branches of industry and regions, while within the enterprises they are specialized by specifically designated production divisions. The production system of industrial administration at the present time is composed of the following basic echelons: People's Commissar, Chief of the Main Administration, trust administrator (upravlyayushchiy), plant director, chief engineer, chief of the shop, foreman ("master"), brigadier, and worker.

Even though not all of these are necessary, yet all of them exist in the majority of branches and enterprises. Strict adherence to the principle of one-man management, definite responsibility for the work of every unit, are characteristics of this system.

D. The Operation of Management

The most important feature of state industrial administration is the systematic and continuous consolidation of the administrative organs and the basic unit of industry into the enterprise. One-man management in industry is practiced in such a way as to eliminate the gap between the decisions of the administrators and their direct executors, so that any economic task can be understood and belong not only to the one who plans it, but also to those who execute it. Experience has shown that the best methods of bringing administrative units closer to definite operations are:

1. Liquidation of a Multiple-Link Management

Until 1932-1933 the multiple-link system of administration prevailed in USSR industry as follows: (a) the People's Commissar; (b) Chief of the Main Administration; (c) Administrator of the Association; (d) Administrator of the Trust; and (e) Director of the Enterprise. By 1934 associations were abolished almost everywhere, and a whole series of trusts were liquidated. At the present time, in the majority of branches, a system prevails under which the enterprise director is directly responsible to the chief of the main administration. In some branches, still not sufficiently strong in organization, or very complicated in the structure of the branch, or in which a large number of enterprises exist, a trust is organized between the main administration and the enterprise. An additional link between the trusts and the main administration in the coal and petroleum industries is the administrative combine. In some cases an enterprise with a large variety of products connected with a multitude of varied branches, cannot be subordinated to narrowly specialized main administrations. Then the director of the enterprise is directly responsible to the People's Commissariat.

The elimination of multiple-link management involves the simplification of all links of administration. Until 1934-1935 the number of divisions and sectors of a main administration was almost equal to the corresponding number in the People's Commissariat. The trust, in turn, wholly repeated the structure of the main administration, while the plant repeated the structure of the trust. Moreover, in the lower levels of administration a number of divisions and sectors are unnecessary (for instance, the division of capital construction, bureau of prices, etc.), while in the upper levels there is no necessity for repeating some of the parts of the plant administration (the planned distribution bureau, for instance). The simplification of the structure of the upper and lower levels of administration has permitted the transfer of a considerable portion of technical and engineering personnel and other managerial workers to enterprises, shops and sections (uchastok).

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2. Division of Economic Units Into Smaller Ones

The subdivision of administrative units is very important in effective management. This subdivision has been systematically carried out by the Soviet government over a period of years. In December 1917, the newly organized VSNKh embraced the management of all branches of economy, from which its name is derived. But in 1918, the VSNKh was transformed into a People's Commissariat of Industry, existing along with the other economic People's Commissariats.

In 1930 the food industry was taken from the authority of the VSNKh and given to the People's Commissariat of Supply. In 1932 further subdivisions of the VSNKh took place, that is, the management of light industry and the timber industry was given to an independent People's Commissariat, while the remaining part of the VSNKh was converted into a People's Commissariat of Heavy Industry, and was later subdivided into six more industrial Commissariats.

In 1934 were formed the People's Commissariats of Local Industry of the union and of the autonomous republics. In recent years, subdivision has been executed with great intensity.

At present time, the number of All-Union Industrial People's Commissariats has reached 25, seven of which are union republics; that is, they exist in the USSR Council of People's Commissars and also in the Council of People's Commissars of the union republics. The over-all number of main administrations has greatly increased, approximately 8-9 times in the last 10 years.

The extent of subdivision in some main administrations is illustrated by the following example: the old Glavmetall of the civil war period covered a field of products corresponding to that of 127 specialized main administrations in the early part of 1939.

E. Cost Accounting

One of the primary principles of industrial administration is a strict and systematic procedure of cost accounting. At the present stage of industrial administration, cost accounting implies the independence of economic units in their operational work of executing planned tasks, based upon the opportunity of commanding all necessary materials and sources for the fulfillment of these tasks, and upon strictly defined material responsibility for the results of economic activity. Cost accounting, making concrete and defining precisely economic tasks to a very high degree guarantees the observance of individual responsibility in administration. Cost accounting means the direct material responsibility of an enterprise for the results of poor management. In the same way, it guarantees the control of the ruble over industrial operations. Concurrently, it guarantees the material interest of workers of an enterprise in the results of their work, since the establishment and size of the so-called "director's fund," contributing to the material improvement of the living conditions of the workers of the enterprise, depends on these results. Cost accounting is the fundamental method of administration used in state industries at the present time. The enterprises are allotted resources necessary for the fulfillment of the plan and are given a definite sphere of independence. Cost accounting is of material interest to the workers in fulfilling and exceeding the established industrial and financial plan as to quantity, quality, assortment of goods, time involved, and cost of production.

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Every worker who exceeds the established quota receives a higher wage. By exceeding the plan for accumulation, the enterprise not only better its financial position and gives a large sum to the state, but receives the opportunity to create a special fund, the "director's fund," from which are derived the additional expenditures for bettering living conditions of the workers of the enterprise. At the present time, cost accounting is penetrating into all branches of economic work and administration of the USSR state industry.

On the foundations of cost accounting the operations of the enterprise as a whole as well as the mutual relations of the enterprise with shops and subsidiary enterprises, and of shops with each other are erected.

III. ORGANIZATION OF STATE INDUSTRY IN THE USSR

A. Organizational Types of State Industry

At the present time five different types of organization of State industry exist: (1) Union (industry responsible to the USSR); (2) Republic; (3) local (responsible to the oblast, kray, city, rayon and village Soviet); (4) Industry of Nonindustrial People's Commissariats (all levels of subordination); and (5) Cooperative (industrial and consumer).

These five forms of organization may be further distinguished by the following: (1) The destination of the products and extent of their distribution; (2) The independent or auxiliary nature of the branches; (3) The various sources of raw material supply -- local, imported from other areas, etc.; and (4) The degree of organizational preparation.

The Union industry includes those branches which occupy a leading place in the industrial plan and whose products are used by the numerous enterprises throughout the entire territory of the USSR.

The Republic industry includes enterprises which have a considerably smaller marketing and supply turnover.

The Local industry has, as its task, the utilization of local initiative to furnish local needs and the development of local resources. It includes for the most part industries working on local raw materials and producing goods for local consumption.

The Industry of Nonindustrial People's Commissariats includes branches of an auxiliary nature serving some other nonindustrial branch of economy, as for instance, transport machine building in the People's Commissariat of Transportation which primarily concerns the repair and manufacture of spare parts, or the chemical-pharmaceutical industry in the People's Commissariat of Health, etc.

The Cooperative industry includes branches which manufacture wares, goods and widely used products from waste products of union and republic industries and from locally obtained raw materials. It also includes repair and restoration enterprises, enterprises of transport construction, furniture manufacture, etc.

B. System of Administrative Organs in USSR State Industry

The system of management and administration of industry is established as a result of the subdivision of State industry into all-union, republic, local, and cooperative forms, and the necessity for strict subdivision of management for branches and enterprises within different types of industry.

In the system of state administration organs of the USSR 25 industrial

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People's Commissariats have been organized, 18 of which in various branches of heavy industry belong to the All-Union People's Commissariats, and seven in branches of light, food, timber and construction material industries belong to the union-republic commissariats.

In the system of state administrative organs of the Union Republics, there were established People's Commissariats of local industry and local fuel industries belonging to the republic People's Commissariats; and Union-Republic People's Commissariats for the food, meat and dairy, and fish industries, and the light, textile, timber, and construction materials industries (the latter only in the RSFSR and Ukrainian SSR).

In the system of the state administrative organs of the autonomous republics, People's Commissariats of local industry and administration of local fuel industry have been established. The People's Commissariats pertaining to the different industrial branches mentioned above are being established according to the special characteristics of the Republic's economy and with the approval of the Supreme Soviet of Union Republics.

In the system of kray or oblast executive committees, divisions (otdel) of local industry, an administration of building materials industry, and an administration of local fuel industry have been formed. In addition, in accordance with the special characteristics of the kray or oblast economy and with the approval of the appropriate People's Commissariats of the Union Republic, divisions or administrations of light industry, textile industry, food industry, fish industry, meat and dairy industry, and timber industry have been established.

In the system of rayon and city executive committees, rayon and city divisions of local industry have been formed in accordance with the special characteristics of the city's industry, and with the approval of the kray or oblast Soviet of workers' deputies. In ASSR, however, these are formed with the approval of the Supreme Council or the ASSR; in Union Republics not having a kray or oblast division, they are formed with the approval of the Supreme Soviet of Union Republics, while in the city they are formed by the decision of the city Soviet itself.

C. Industrial People's Commissariats and Their Internal Structure

The highest unit subordinate to the union and republic in the state industrial administration is the industrial People's Commissariat. The USSR Constitution defines three categories of industrial People's Commissariats: (a) All-Union People's Commissariats (18 in number); (b) Union-Republic People's Commissariats (7); and (c) People's Commissariats responsible to the republic (2).

In the Union Republics, there are Union-Republic and Republic People's Commissariats, that is, nine industrial People's Commissariats. Some Union-Republic People's Commissariats do not exist in a number of republics. The Commissariat of the Timber Industry, for instance, is absent in the Uzbek, Tadzhik, Turkmen, and Kirgiz SSR.

Industrial People's Commissariats are units of state administration which manage specific branches of industry. Along with this, the industrial commissariat is an economic unit which executes production assignments and other tasks on the basis of cost accounting. Cost accounting, however, does not directly enter into the scope of the people's commissariat's activities, but is transferred to special cost accounting units, such as main administrations of supplies and marketing, associations, offices (kontora), etc. At the head of the industrial People's Commissariat is the People's Commissar, who, in conformity with articles 72 and 73 of the

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USSR Constitution, manages the entire activities of the branches subordinate to the commissariat. Within the scope of his competence, he issues orders and instructions on the basis of and in the execution of existing laws or decisions of the USSR Council of People's Commissars, checks on their execution, and appoints economic and technical managers of main administrations and divisions of the commissariat, separate large trusts, and enterprises.

Under the People's Commissariat, there is the board of the commissariat, composed of deputy commissars and other executives. The board examines all basic questions concerning the prospective and yearly plans of the branches of industry under the commissariat and the most important operational problems of management, and executes the checking of performance, selection of personnel, and discussion of the accounts of local agencies. The board works under the chairmanship of the commissar. The council and the aktiv (active membership) of the commissariat are agencies for the mobilization of large groups of workers in the economic field for the preparation of plans, or the discussion of plans already formulated or of various important measures of a given branch. The council is permanent in composition, as approved by the Council of People's Commissars. It is composed of the principal executives of the central control of the commissariat, managers of the largest enterprises, representatives of the leading technical and engineering personnel, the best workers, etc. The composition of the aktiv of the People's Commissariat is more fluctuating and much broader. Its purpose is the better utilization of the experience of workers on the lower levels and the development of criticism and self-criticism. In the majority of People's Commissariats, directly under the commissar is organized the main inspectorate, or control-inspection group which examines the execution of the various important measures of the commissariat. In the composition of the industrial commissariats technical councils operate which conduct consultations on technical designs and estimates, evolve measures for the proper development of technical training, and control the work of scientific research institutes.

The fundamental parts of the central control of the industrial People's Commissariat are the branch-production, or regional-production, main administrations, the so-called "glavki." The commissariat manages a specific group of industrial branches (for example, the People's Commissariat of Light Industry) or one large branch (example, the People's Commissariat of Ferrous Metallurgy); the main administrations manage the individual branches, sometimes very limited in scope.

In the composition of the commissariat's central control, along with the main administrations, there are subsidiary functional administrations, divisions, and sections which play an auxiliary role in relation to the main administrations. The main administrations are not subordinate to the functional divisions, but only to the commissariat. In this respect, the present structure of industrial People's Commissariats differs considerably from the structure of the VEMKh in 1921-1929, when the trusts and syndicates were subordinate to the GEU (Main Economic Administration), TsGSPROM (Central Administration of State Industry), PTGU (Planning, Technical and Economic Administration), etc. These administrations, each in its own field, controlled the operational activity of the main administrations, trusts, and syndicates. At the present time, functional divisions do not control the main administrations and play only an auxiliary part in relation to them.

The Planning Division (administration or sector) provides an extremely important function in planning for a branch of industry. The Planning Division of the People's Commissariat elaborates on the current and prospective departmental plans of the commissariat with a breakdown according to main administrations, which subsequently are ratified by

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the government after discussion in the State Planning Committee and in the Economic Council of the Council of the People's Commissars. At the same time the planning divisions examine and present for ratification to the Commissar plans for enterprises, either in their original form or summarized by main administrations.

Another very important functional division of the Commissariat is the Finance Division. This division organizes the financial operations of the respective branches of industry, draws up a preliminary financial plan for all the subdivisions of the Commissariat, establishes a survey of the main administrations' financial plans, and finally, by examining the financial operations of the main administrations and enterprises, executes this plan in the operational work of the Commissariat. This division also controls the financing of capital operations and develops the plan (proyekt) of sale (otpuška) prices for products of a given branch of industry. All important economic functions of an industrial branch are embodied in these or other financial measures.

The Division (or Main Administration) of Supply and Marketing establishes a tie between a given branch and other branches, between its suppliers and the consumers of its products, and also between plants within a given branch. Through it pass all orders for supplies of raw materials, other materials, and equipment, and arrangements for the distribution of production. It also directly participates in the compiling of inventories in a given branch. In the People's Commissariat of Light Industry, the Commissariat of Food Industry and a number of other commissariats producing consumer goods, there are also special trade divisions not found in the commissariats of heavy industry. This is explained by the fact that in the majority of cases the products of the commissariats of heavy industry do not enter the open market, while the consumer goods produced by the NKPP (People's Commissariat of Food Industry), NKLP (People's Commissariat of Light Industry), etc., do enter the commercial market.

The other functional divisions are more specialized. Among these, the division of capital construction should be mentioned, which is not found in all commissariats; in some, the planning of capital construction is centered in the planning division. Operational management of industrial construction is provided by the People's Commissariat for Construction. The capital construction division draws up the composite plan of capital construction of the commissariat, controls the provision of designs and estimates for construction, checks on the actual carrying out of capital operations and on the utilization of new basic funds. In some commissariats there are special technical divisions for the various branches of industry under the jurisdiction of the commissariat. For example, in the People's Commissariat of the Textile Industry there is a technical division of the cotton textile industry, organized by special decision of the Council of People's Commissars, and a technical division of the linen industry. These technical divisions are concerned with the planning of technical developments, the selection of types of equipment, the drafting of plans for technical processes, with questions of the selection and economies in the use of raw materials, planning changes in the assortment of goods, improving the quality of products, etc. It also establishes the rules of technical exploitation and drafts suitable instructions.

Individual People's Commissariats (for example, the People's Commissariat of General Machine Construction) have created in their apparatus a production division concerned with the operational management of work within the main administrations, trusts and enterprises. Such a department does not have functional character and is for the direct assistance of the People's Commissar.

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D. All-Union Industrial People's Commissariats of the USSR

The following People's Commissariats, according to the Constitution, are included in the All-Union Industrial People's Commissariats of the USSR:

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| 1. Petroleum Industry | (Narkomneft') |
| 2. Coal Industry | (Narkomugol') |
| 3. Electric Power Plants and the Electrical Industry | (Narkom elektroprom) |
| 4. Ferrous Metallurgy | (Narkomchernet) |
| 5. Nonferrous Metallurgy | (Narkomtvetmet) |
| 6. Chemical Industry | (Narkomkhimprom) |
| 7. Aviation Industry | (Narkomaviaprom) |
| 8. Shipbuilding Industry | (Narkomsudprom) |
| 9. Tank Industry | (Narkomtankoprom) |
| 10. Rubber Industry | (Narkomkumgumoprom) |
| 11. Paper and Cellulose Industry | (Narkomcellyuloprom) |
| 12. Munitions | |
| 13. Armament | |
| 14. Machine Tool Building | (Narkomstankoprom) |
| 15. Heavy Machine Building | (Narkomtyazhmash) |
| 16. Medium Machine Building | (Narkomredmash) |
| 17. General Machine Building | (Narkomobshchmash) |

The USSR People's Commissariats for branches of heavy industry control the industries under their jurisdiction.

An all-union Industrial People's Commissariat fulfills the following functions:

1. Administers dependent branches of heavy industry; manages the formulation and fulfillment of production and financial plans ratified by the government; manages the formulation and execution of major construction plans ratified by the government; and approves designs and estimates of construction;
2. Organizes technical and material supply of production and construction;
3. Manages product distribution of appropriate branches of heavy industry and the execution of assigned production plans ratified by the government;
4. Provides technical aid and consultation to trusts and enterprises on important technical questions; places new technical procedures, improvements and inventions in the enterprises of heavy industry; gives copyrights and patents for inventions;
5. Appoints economic and technical managers of main administrations, trusts, and enterprises; carries out the preparation of technical and economic personnel through VTUZ (higher technical school), technical schools, and courses;
6. Directs questions of organization and standardization; manages wages; accomplishes the organizational selection of workers' corps;
7. Manages schools, scientific research and project institutions of its system.

The local units of the People's Commissariats are either representatives appointed by them or trusts.

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In the apparatus of the All-Union Industrial People's Commissariats, the main administration is the fundamental unit through which is accomplished the direct administration of enterprises (two-unit system), or trusts (three-unit system), or combines and trusts (four-unit system). The two and three-unit systems are more widespread. The four-unit system is found only in exceptional cases (for example, the People's Commissariat of the Coal Industry and the People's Commissariat of the Petroleum Industry).

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